



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 1/31/2003

GAIN Report #TU3001

## Turkey

## Tree Nuts

## Semi-Annual

## 2003

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### Report Highlights:

Weather conditions in hazelnut growing areas have been normal with near normal precipitation. As a result, Turkey is on track to have an average crop in MY 2003. Planted area also remains unchanged. FAS/Ankara's MY 2002 hazelnut production estimate remains unchanged. Low procurement prices have been announced and, as a result, only eight percent of production has been purchased the lowest quantity in many years. Turkey exported 324,000 MT (in shell) during the first four and a half months of MY 2002. Export prices are lower than those in recent years. FISKOBIRLIK has already announced that it will be crushing MY 2001 and older hazelnuts for oil.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Ankara [TU1], TU

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## **Executive Summary**

Weather conditions in hazelnut growing areas have been normal with near normal precipitation. As a result, Turkey is on track to have an average crop in MY 2003. Planted area also remains unchanged. FAS/Ankara's hazelnut production estimate for MY 2002 remains unchanged at 625,000 MT. Low procurement prices were announced which led to the lowest level of government purchases in many years, only about 8 percent of the crop.

Turkey exported approximately 324,000 MT (in shell) of hazelnuts during the first four and a half months of MY 2002. This was slightly larger than the comparable period last year although the average export price fell. Most of the exports were sold to the European Union.

After the MY 2002 harvest, hazelnuts disappeared from the market in expectation of higher prices. However, nearly two months later most officials believe that a price increase is unlikely. As a result, hazelnut sales have recently increased.

The Government of Turkey announced a 43.6 percent import duty on the CIF value of hazelnut imports from all origins for CY 2003.

(As of January 24, 2003 the exchange rate is USD 1.00 is around TL 1,664,250)

## Production

Weather conditions in hazelnut growing areas have been normal with near normal precipitation. As a result, Turkey is on track to have an average crop in MY 2003. Planted area also remains unchanged.

Industry and government estimates for MY 2002 (September 2002-August 2003) hazelnut production vary considerably, but generally fall within the range of 600 - 630 TMT. In general, government statistics are not very reliable. FAS/Ankara's production estimate remains unchanged for MY 2002. The MY 2002 crop quality was normal and much better than the previous year. Kernel yield also was also normal, at around 50 percent. The size of kernels was better in MY 2002 than in MY 2001 and with large-sized hazelnuts (13-15 mm) comprising 30 percent of total production. In good years, large-sized kernels may represent up to 40 percent of the crop. About 60 percent of production classified as medium sized (11-13 mm) and only 10 percent small (9-11 mm). In MY 2001 these figures were much lower with 40 percent of the crop classified as small.

The Union of Hazelnut Cooperatives (FISKOBIRLIK) has 200,000 members. In the past, FISKOBIRLIK which received a budget from the government, intervened in the market by announcing a purchase price for hazelnuts and procuring up to 25 percent of Turkey's crop. Last year, in accordance with an IMF agreement, the government announced that it would no longer provide funds to FISKOBIRLIK to purchase hazelnuts. However, due to the 2002 elections, the government announced a procurement price two months after the harvest started on September 23 and revised on October 2, 2002. The procurement price in MY 2002 was significantly lower than it was in earlier years -- TL 1,615,000 (about USD 1.00 at the time of announcement) per kilogram of Giresun type hazelnuts (in shell basis with a 50 percent shelling rate). This price was nearly nine percent lower than the procurement price in MY 2001 (about USD 1.09). Approximately 8 percent of Turkey's hazelnut crop was purchased in MY 2002.

As required by the government, FISKOBIRLIK was permitted to procure hazelnuts solely from their members with the amount limited to 2001 procurement levels. FISKOBIRLIK's procurement was also limited to those growers who could only grow hazelnuts. FISKOBIRLIK completed its procurement by the end of the year. Buying a total of 47,110 MT of hazelnuts (in shell basis) and paying nearly TL 76 trillion (about USD 46 million) to growers. This is the lowest quantity procured and lowest amount paid in many years. In MY 2001, FISKOBIRLIK purchased approximately 124,500 MT of hazelnuts valued at TL 188 trillion (about USD 125 million). The current market price for hazelnuts is around TL 1,575,000 per kilogram, slightly lower than the FISKOBIRLIK level. The MY 2002 hazelnut procurement price was announced just a month and a half before the general election in November 2002. In the absence of the elections, procurement prices would have most likely not been announced. Most likely, the procurement price was announced in order to win support and votes from hazelnut growers.

After the election, the Justice and Development Party (AK) announced that the government would provide a higher procurement price (TL 2,000,000 per kilo). However, most private sector associations and traders were against this increase because most farmers, especially the smaller ones, had already sold their crop and traders signed agreements for export at the existing prices. In response, government wanted to provide hazelnut growers with direct income payments. Most farmers in Turkey have been supported through the Direct Income Payment (DIP) system since 2000. Each farmer receives TL 135 million per hectare (for 2002) with a maximum of 50 hectares. According to the proposal, hazelnut growers would receive an additional TL 250 million per hectare. Unfortunately, the proposal never materialized because the DIP was not intended for hazelnuts producers. Moreover, the IMF was against this policy

because of the implications for Turkey's budget.

After the harvest, hazelnuts disappeared from the market in expectation of higher prices. Nearly two months passed and most people believed that a price increase is unlikely. More hazelnuts have begun appearing on the market.

## Consumption

The current retail price for shelled roasted hazelnuts in Ankara is approximately TL 9,000,000 (about USD 5.50) per kilogram. This is significantly lower in USD terms than a year ago (about USD 7.40) primarily due to large production and stocks as well as low procurement prices. The rate of inflation was about 35 percent over the same time period.

## Trade

Aflatoxin was a significant problem for hazelnut exports to the European Union in MY 2001 due to smaller kernels and rains during the drying season. Protection and Control General Directorate of the Ministry of Agriculture started testing hazelnuts and issuing health certificates for exports. Industry sources indicate that this is a minor problem this year, but still some trucks (just a small percentage of total sales) are being turned down as a result of random sampling that indicates aflatoxin at 4 ppb or higher.

During the first four and a half months of the marketing year, Turkey exported about 324,000 MT of hazelnuts (in-shell). This quantity is slightly larger than the same period in MY 2001 (317,000 MT) and significantly larger MY 2000 (222,000 MT). The increase is attributed to the larger supply, low procurement prices, and devaluation of the Turkish Lira (TL). Some industry sources believe that most of the crop has already been exported and that total year exports will not exceed last years results. However, other sources indicated that exports may reach record levels. FAS/Ankara currently estimates exports at 480,000 MT which is slightly larger than the earlier estimate of 460,000 MT for MY 2002, but still slightly lower than 510,000 MT of exports a year before. Total quantity may be affected by the new crop estimates which should be available in May. On the other hand, if the prices continue to remain low, importers may decide to purchase MY 2002 crop given the quality.

The majority of MY 2002 exports continue to be sold to the European Union ( 175,000 MT) while exports to other European countries totaled about 18,500 MT. All exports were made by private traders. FISKOBIRLIK did not export any hazelnuts in MY 2002. The average export price for MY 2002 sales (shelled and processed) through January was about USD 225 per 100 kilograms, compared to USD 246 for the same period last year and USD 321 two years ago. FOB prices of naturel hazelnuts are also currently very low at around USD 233 per 100-kilogram compared to USD 247 during the same period a year ago. Many industry sources estimate export prices will remain steady during the season because of excess stocks.

The trade data for MY 2001 (September 2001 - August 2002) for exports is now available but there are large differences between the Exporters Union data, which is based on registrations, and official GOT data, which is collected from customs and provided to the State Institute of Statistics. It appears that the Exporters Union data is more accurate and has been used in this report. MY 2001 column of the Export Trade Matrix reflects the full marketing year data while MY 2002 column reflects the data only for the first four months (September-December, 2002) of MY 2002.

## Stocks

FISKOBIRLIK's stocks are not published but it was estimated that it had more than 200,000 MT (in shell basis) carryover stocks at the end of MY 2001 and purchased another about 47,000 MT in MY 2002. Older stocks have little market significance because they are crushed for oil. FISKOBIRLIK has already announced that the MY 2001 crop will be crushed for oil. Annual crushing capacity of the Ordu Crushing Plant is 100,000 MT (in-shell basis), but the amount actually crushed is unknown because crushing at other private plants is also possible. It has been estimated that about 75,000 MT of older crop is held by FISKOBIRLIK.

## **Policy**

### **Production Policy**

The GOT published a Regulation in the Official Gazette on January 11, 2002 in order to reduce the area of hazelnut orchards and encourage and support hazelnut farmers to cultivate alternative crops. We still need to wait and see the GOT how effectively will implement this policy.

### **Trade Policy**

For CY 2003, Turkey imposed a 43.6 percent import duty on the CIF value of in-shell and shelled hazelnuts from all origins.

## Statistical Tables

### PSD Table for Hazelnuts

PSD Table						
Country	Turkey					
Commodity	Filberts, Inshell Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	277000	285000	276000	285000	0	283000
Non-Bearing Trees	15000	12000	15000	12000	0	11000
Total Trees	292000	297000	291000	297000	0	294000
Beginning Stocks	200000	200000	170000	235000	145000	200000
Production	600000	725000	600000	625000	0	625000
Imports	0	3000	0	0	0	0
TOTAL SUPPLY	800000	928000	770000	860000	145000	825000
Exports	430000	510000	425000	480000	0	480000
Domestic Consumption	200000	183000	200000	180000	0	175000
Ending Stocks	170000	235000	145000	200000	0	170000
TOTAL DISTRIBUTION	800000	928000	770000	860000	0	825000

**Export trade Matrix for Hazelnuts**

Export Trade Matrix			
Country	Turkey		
Commodity	Filberts, Inshell Basis		
Time period	Sep. - Aug.	Units:	Metric Tons
Exports for:	2001	Sep.02-Dec.02	2002
U.S.	14096	U.S.	6695
Others		Others	
Germany	164827	Germany	107112
Italy	65671	Italy	50761
France	47937	France	22457
Belgium	36931	Netherlands	18562
Netherlands	24971	Belgium	16157
Switzerland	22295	Switzerland	8061
United Kingdom	17659	Austria	6815
Austria	16147	Spain	6348
Spain	14288	Poland	5394
Poland	8530	Greece	5058
Total for Others	419256		246725
Others not Listed	76876		44114
Grand Total	510228		297534